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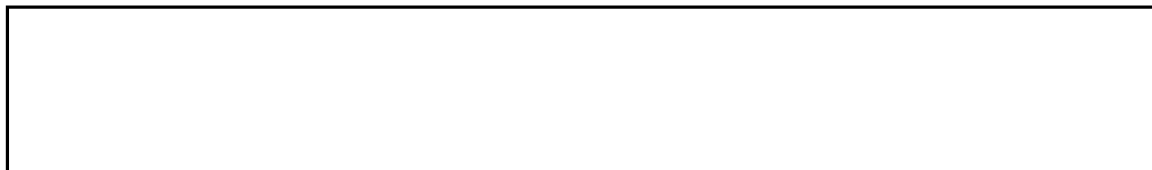
Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

State Dept. review completed

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SUMMARY



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SOUTH ASIA

2. Afghan-Pakistani mediation efforts now deadlocked:

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Ambassador Hildreth in Karachi reports that letters between Pakistan and the Saudi Arabian mediator indicate a deadlock has been reached in attempts to mediate the Afghan-Pakistani dispute.

At the same time, an official of the American Morrison-Knudsen construction company has informed the

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ambassador that Pakistan's economic blockade will shortly force termination of his company's operations in Afghanistan.

Comment: Having already agreed to mediation, Pakistan would be unwilling to make any further concessions that would display weakness and encourage Afghanistan to retain Daud as Afghan prime minister. Pakistan probably also assumes that most of the five mediating Moslem powers would support it against Afghanistan in forcing a showdown.

Kabul is already faced with an acute shortage of vital imports and with restlessness among mobilized troops. Even if the Daud government wished to rearrange Afghan trade patterns by turning to the Soviet Union, it probably could not do so in time to strengthen its hand for the next stage of bargaining.

NEAR EAST - AFRICA

3. French authorities to use force to break Moroccan strike:

French authorities plan to use force to re-open native Moroccan shops--closed in response to a nationalist strike order--on 15 June, according to the American consul general in Rabat. Mounted troops were being moved into Rabat on 12 June.

The consul general considered an introduction of troops into native quarters at this time an unwise measure.

Comment: The forcible opening of native shops might set off widespread violence. Tension has been very high since the authorities expelled some 67 Moroccan shopkeepers from Casablanca on 25 May for resistance to an order to open their stores.

4. Greek foreign minister hopes for visit from Burmese and Indian prime ministers:

Greek foreign minister Stephanopoulos is interested in having Burmese prime minister U Nu and Indian prime minister

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Nehru visit Greece after they leave Belgrade, [REDACTED]

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Comment: International events have created an attitude in some Greek government circles which may be receptive to the neutralist ideas of U Nu and Nehru. Greek frustrations are increasing over the reduction of American aid, support of other NATO countries for Britain's position on the Cyprus issue, and the economic difficulties attributed to the support of armed forces at levels established by the NATO command.

No Greek government is likely to abandon its Western orientation in the near future, but pressures are growing for independent action.

LATIN AMERICA

5. Comment on Argentine church-state tension:

[REDACTED] Political tension has reached its highest pitch in Argentina since the church-state dispute broke out last November. High feeling has been intensified by a church procession held on 11 June despite a government ban, and by numerous arrests growing out of clashes between rival groups on 12 June. Though the procession followed a religious ceremony, it was in fact a strong protest against recent measures to reduce the church's political power and reflected increasingly active Catholic resistance to such moves.

Since Congress convened on 1 May it has abolished compulsory Catholic education, financial subsidies to the church, and tax exemption for church properties. On 20 May it enacted legislation calling for convening of a constituent assembly within 180 days to consider revising the constitution to separate church and state.

The principal impetus for President Peron's campaign against a former ally has apparently been his belief that opposition elements were working through various members of the clergy to organize a Christian Democratic movement to overthrow

his regime. Moreover, he has resented the political activity of Catholic Action among student groups, which largely oppose his regime's efforts to indoctrinate the future electorate.

The week-end events and mounting tensions have given opposition elements--especially the Radicals and Communists, who have offered to support pro-church demonstrations--their best vehicle to date for building up anti-Peron sentiment and fomenting more serious incidents of violence. They also serve to create division among the Peronistas.